

Demand for serviced apartments increases but classification system vital, says HVS London report

Demand for serviced apartments is growing faster than new supply in many European markets, as an increasingly mobile workforce drives business travel and relocation activity.

In addition, leisure travellers are also now more actively seeking the additional space and amenity which serviced apartments provide as opposed to conventional hotels.

A new report on the growth of serviced apartments across Europe, published by hotel consultancy **HVS London** ahead of next week's Serviced Apartment Summit [8-9 July], says that despite the progress made in the UK, France and Germany to define and classify the sector, the growing serviced apartment market continues to face a lack of standardisation both in product and distribution.

In the UK significant first steps, led by HVS, have been taken in classifying the sector with definitions recently agreed upon and a charter due to be signed-off at the Serviced Apartment Summit by most of the leading serviced apartment operators and developers.

'The development of a classification system or a specific 'serviced apartment' certification in the UK is crucial to foster industry-wide understanding, security and transparency,' commented report co-author Veronica Waldthausen, associate, HVS London.

Across Europe the relatively immature serviced apartment sector is showing considerable growth. In the UK international brands are keen to enter the market, joining existing operators, while the concept of the serviced apartment is becoming more recognised by both travellers and investors.

Serviced apartments in the UK have recorded a healthy growth in RevPAR (Rooms Revenue Per Available Room) over the past three years. In 2013, the average achieved daily rate was around £120, with occupancy reaching 79%.

The majority of the UK's serviced apartments are in London and the major cities, with brands such as Citadines, BridgeStreet, SACO Apartments, Staycity, Go Native, Marlin Apartments, Think Apartments and Premier Apartments, all having an increasing presence.

'Over the next few years, London will see significant increases in supply, primarily in the eastern and southern parts of the city,' added report co-author HVS director Arlett Oehmichen.

In Germany the sector is also showing growth with some 1.3 million overnight stays in serviced apartments recorded in 2013 [source: TopHotelProjects]. Berlin accounts for the largest share of the market. Average occupancy for 2013 was 81% with an average rate of ?110 and a RevPAR of ?89. In France the serviced apartment market is less fragmented and more mature, being dominated by brands such as Adagio, Ascott and ResidHome. Average occupancy for the sector in 2013 was around 75%.

'Performance in the serviced apartment sector has been one of relatively resilient growth,' said Arlett Oehmichen. 'The market is also attracting investors, although financing for development is more difficult to source, making expansion slow.'

The report concludes that as travellers become more aware of the benefits of using serviced apartments, the fact the market is undersupplied and has significant growth potential translates into a bright future for this sector.

To download a copy of Serviced Apartments ? Growing Up by Veronica Waldthausen and Arlett Oehmichen click <http://www.hvs.com/article/6977/the-european-serviced-apartment-sector-growing-up/?campaign=email>

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